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C O N F I D E N T I A L SECTION 01 OF 02 MANAMA 000121

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TAGS: [PREL](#) [ECON](#) [ETRD](#) [ELAB](#) [BA](#) [ECTRD](#)
SUBJECT: CROWN PRINCE AND DEPUTY SECRETARY OF COMMERCE
SAMPSON DISCUSS TRADE, INVESTMENT

Classified By: Ambassador William T. Monroe for reasons 1.4 (b) and (d)

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Summary

11. (C) Crown Prince Shaikh Salman told Deputy Secretary of Commerce Sampson February 4 that Bahrain has been and will continue to be a close friend of the United States, and he expressed his pleasure that the U.S.-Bahrain Free Trade Agreement (FTA) was being implemented. He said he would accompany an AmCham trade mission on its stop in Chicago in early March. The goal of the country's labor reform program, he explained, is to unify the local and expatriate labor markets in Bahrain. Foreign workers would gain the right of freedom of movement among employers while businesses would pay a fee for the work permit for each foreign worker. The fees would enter a fund dedicated to training Bahrainis to improve their skill sets. The CP said the Bahrain Investors Center had been a boon to promoting small and medium businesses by simplifying the registration process. In response to the CP's question about accumulation of value-added among U.S. FTA partners for exports to the United States, Dr. Sampson said this subject could be an issue to discuss at a planned conference on the Middle East Free Trade Area to take place on the margins of the Dead Sea World Economic Forum in May. End Summary.

Bahrain A Close Friend of the U.S.

12. (C) Crown Prince Shaikh Salman bin Hamad Al Khalifa welcomed Deputy Secretary of Commerce Sampson to Bahrain February 4 and expressed his country's appreciation for the United States protecting the security and stability of the region for over 60 years. He affirmed that Bahrain has been and will continue to be a close friend of the United States. Dr. Sampson replied that the U.S. looks forward to building up the bilateral economic relationship to be as strong and deep as the strategic relationship. He said the U.S. believes that building trade with, and within, the region is critical to the long-term stability and security of the Gulf. The Crown Prince said he was pleased implementation of the FTA was moving forward. Dr. Sampson noted that bilateral trade had topped \$1 billion for the first time in 2006. The Ambassador added that overall U.S. trade and investment with the region was growing substantially.

13. (C) The Crown Prince noted that he would visit the United States soon and planned to accompany a trade mission of the American Chamber of Commerce in Bahrain on its stop in

Chicago in early March. Dr. Sampson said he would try to meet up with the delegation in Houston, following its visit to Chicago. He praised the AmCham delegation, saying it would increase the visibility of Bahrain in the United States and allow for networking between business people. He offered the services of USDOC's export assistance centers to promote trade between the two countries.

Unifying Bahrain's Labor Market

14. (C) In response to the Deputy Secretary's question, the CP said Bahrain's labor reform program was going well, noting that parliament had passed almost all required legislation. The only outstanding item to be addressed is a law to decrease severance packages for fired employees. The essence of the reform plan is to unify the local and expatriate labor markets in Bahrain. The requirement for expat laborers to have sponsors was eliminated, giving them the right of freedom of movement among employers. The fee paid by an employer for a work permit for a foreign worker would increase, resulting in two outcomes. One, the costs for a (more expensive) Bahraini worker and a (cheaper) foreign worker would be in greater balance and, two, funds raised by the permits would be used to train Bahrainis to improve their skill sets.

15. (C) Shaikh Salman admitted that a major challenge remains gaining the buy-in of employers. He said the government should not force businesses to hire people or put employees into jobs they are not qualified to perform, which is inevitable with the Bahrainization program. Employers will

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be offered incentives to participate in the labor reform program, such as their gaining access to graduates of GOB training schemes and obtaining money from the central labor fund for company-run training programs. The CP mentioned that an important part of labor reform is providing students with the option of participating in applied, market-appropriate technical education programs. The University of Bahrain has too many students now, in Shaikh Salman's view, and some of these students would be better off taking classes at a polytechnic university. Bahrain used to have a polytechnic university, and he was interested in seeing it reconstituted.

Growth Through SMEs

16. (C) The Crown Prince said Bahrain was trying to stimulate growth among small and medium enterprises (SMEs), noting this was an area where the United States has expertise and could possibly assist Bahrain. He said the Bahrain Investors Center, a one-stop shop for registering businesses, had been a boon to promoting SMEs. The Center had reduced the number of steps required to establish a business by three-quarters. Registrations were approved expeditiously as long as the company did not plan to operate in one of a small number of restricted sectors. In response to Dr. Sampson's question, the CP said Bahrain had looked to several countries for models in improving its education, training, and investment regimes, including Australia, Singapore, Ireland, and the United States.

17. (C) Shaikh Salman indicated that Bahrain was an increasingly desirable destination for foreign direct investment, but the government had not wanted to attract too much attention while it was building momentum. He said a recent decision to air an advertisement about Bahrain on CNN International represented a sense that it was time to give the country a higher profile internationally. The Ambassador noted that the timing of the ad was good, with the FTA, substantial real estate development, and new industrial parks

all coming on-line.

Achieving MEFTA

18. (C) The Crown Prince asked the USG's view of accumulation of value-added among FTA partners for export of goods to the U.S. Dr. Sampson replied there was a proposal to hold a conference on the Middle East Free Trade Area (MEFTA) on the margins of the Dead Sea World Economic Forum at the end of May. A discussion of accumulation would be appropriate at that time. The CP said Bahrain supports MEFTA and wants to help the President achieve this objective.

Elections Attract Moderates

19. (C) The Deputy Secretary said Bahrain had experienced impressive participation in its recent parliamentary and municipal elections. The Crown Prince stated that citizens' participation speaks well about political openness in the country. The electoral process attracted moderates while more extreme elements on both the Sunni and Shia sides did not participate. Although Bahrain is doing "all right" so far, the CP said he is concerned about tension and violence in the region spilling over into Bahrain.

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